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## Taiwan

### Fresh Deciduous Fruit Annual

#### Fresh Apples

**Approved By:**

Jeffrey Hesse, Chief, Agriculture Section  
AIT Taipei

**Prepared By:**

Amy Chang-Chien Hsueh, Agricultural Marketing Specialist

**Report Highlights:**

The apple remains the most popular imported fruit in Taiwan, with total imports of 149,017 metric tons or nearly US\$163 million in MY 2010/11. The Fuji is the favorite variety, accounting for 90 percent of total retail apple sales. Taiwan continues to be a very good market for U.S. apples, but aggressive pricing allowed Chile to overtake the United States as the largest supplier for the first time in MY 2010/11. Local apple production continues to follow a long-term decline and currently meets only about one percent of domestic demand.

# Executive Summary

## Characteristics of the Taiwan Fruit Market

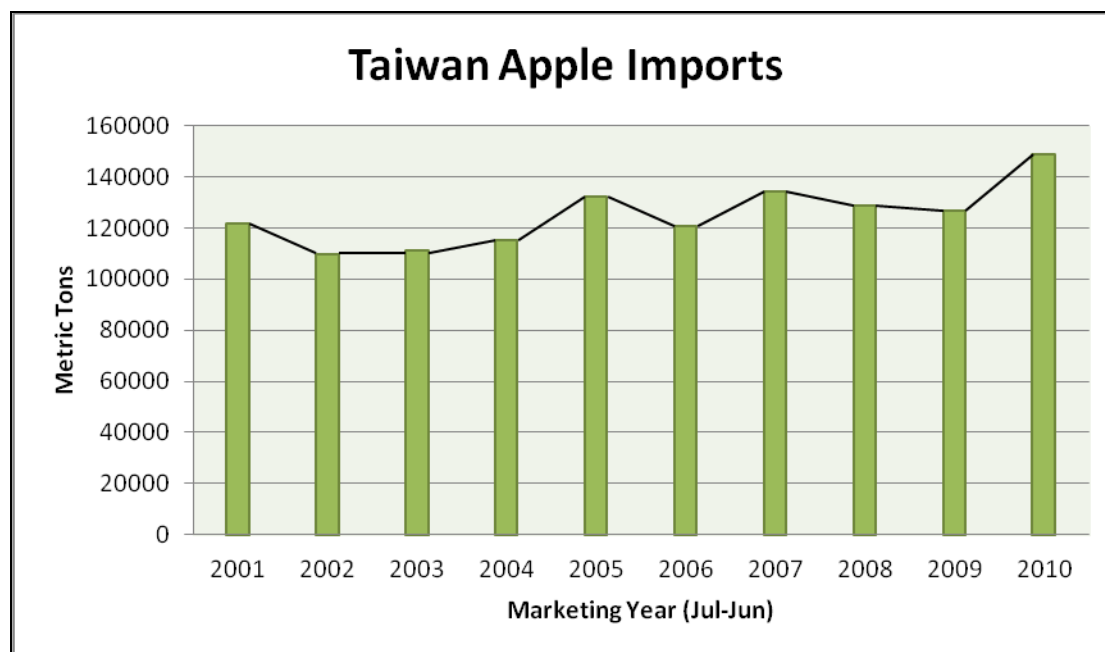
- Among the world's highest per capita consumption of fresh fruit -- 127 kg/person
- Imports as a percentage of total domestic fruit consumption -- 21% by value/10% by volume
- Taiwan consumer preference for fruit: "the sweeter, the better"

## Taiwan Apple Production

In MY 2010-11, local apple production fell to 2,186 metric tons (MT), a 40 percent drop from the previous year, reflecting a continuing downward trend since Taiwan's accession to the WTO in 2002. Local apple production is no longer profitable due to high labor and transportation costs and competition from imports. In addition, increasing eco-awareness in Taiwan has hindered further exploitation of the mountain areas where Taiwan apples are grown.

## Taiwan Apple Imports

In MY 2010-11, Taiwan imported 149,017 MT of apples, of which 49,273 MT were from the United States. Aggressive pricing, however, allowed Chile to overtake the United States to become Taiwan's largest supplier for the first time. Chile exported a record 56,979 MT of fresh apples to Taiwan in MY 2010-11, but the oversupply caused heavy competition and resulted in financial losses for importers. As a result, importers are now more cautious when placing orders, and total imports are expected to decline moderately to about 140,000 MT in MY2011-12.



## Production

Even prior to Taiwan's accession to the World Trade Organization (WTO) in 2002, local apple production, grown in orchards set in Taiwan's temperate central mountain range, was insignificant -- less than 10,000 MT per year. Since Taiwan's WTO accession and market liberalization, cropland has been steadily taken out of production. In MY 2010/11, the area planted declined by 47 percent to 231 hectares and only 2,186 MT of fresh apples were harvested, a 40 percent drop from the previous year.

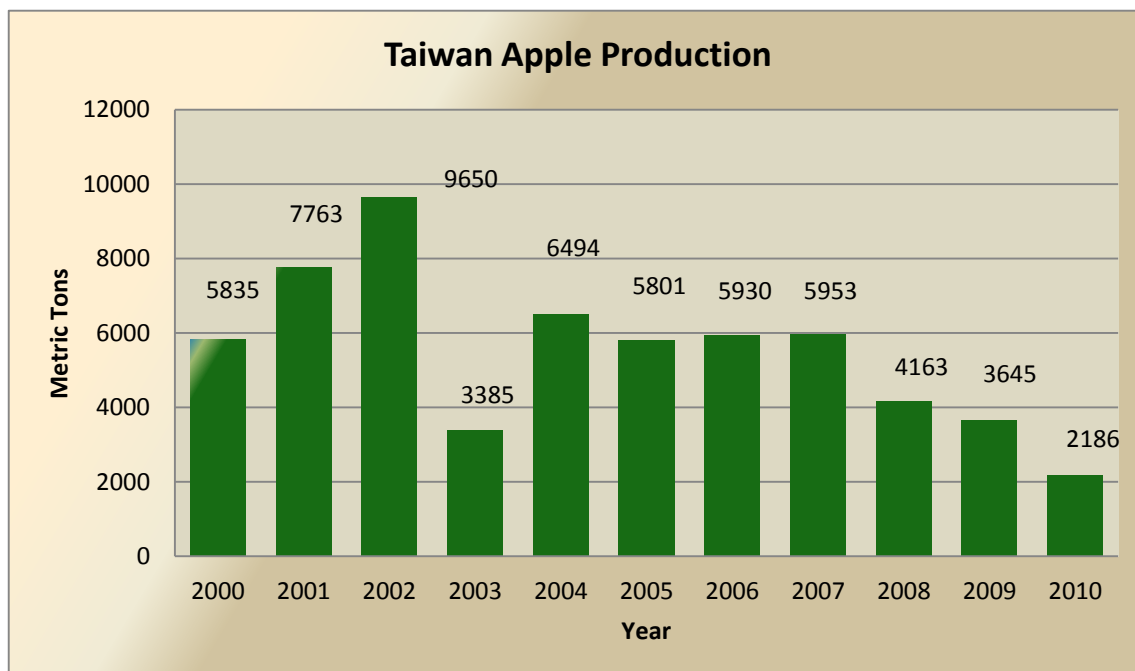
Other factors have also contributed to the decline in production. Taiwan's geographical location situation leaves agricultural producers vulnerable to natural disasters. Tropical storms, such as Typhoon Mindulle in 2004 and Typhoon Morakot in 2009, have brought severe flooding and mudslides that seriously harmed Taiwan's natural environment. Given Taiwan's increasing eco-environment awareness, Taiwan authorities have taken action to address the increasingly serious problem of over-exploitation of hilly lands. To prevent the further degradation or destruction of national lands, the “Land Restoration Strategic Program and Action Plan” was promulgated in 2005. In accordance with this policy, Taiwan's Council of Agriculture has been withdrawing those leased lands located in mountainous areas higher than 1,500 meters in central Taiwan, which encompasses some of the major apple production areas.

Given all of these factors, planted area is projected to drop to 175 hectares with production of 1,570 MT in MY 2011-12. Local apple production currently meets only about one percent of domestic demand, making the impact of annual crop yield fluctuations insignificant.

The following tables show the downward trend in both area planted and production since 2000:



Source: Taiwan Council of Agriculture



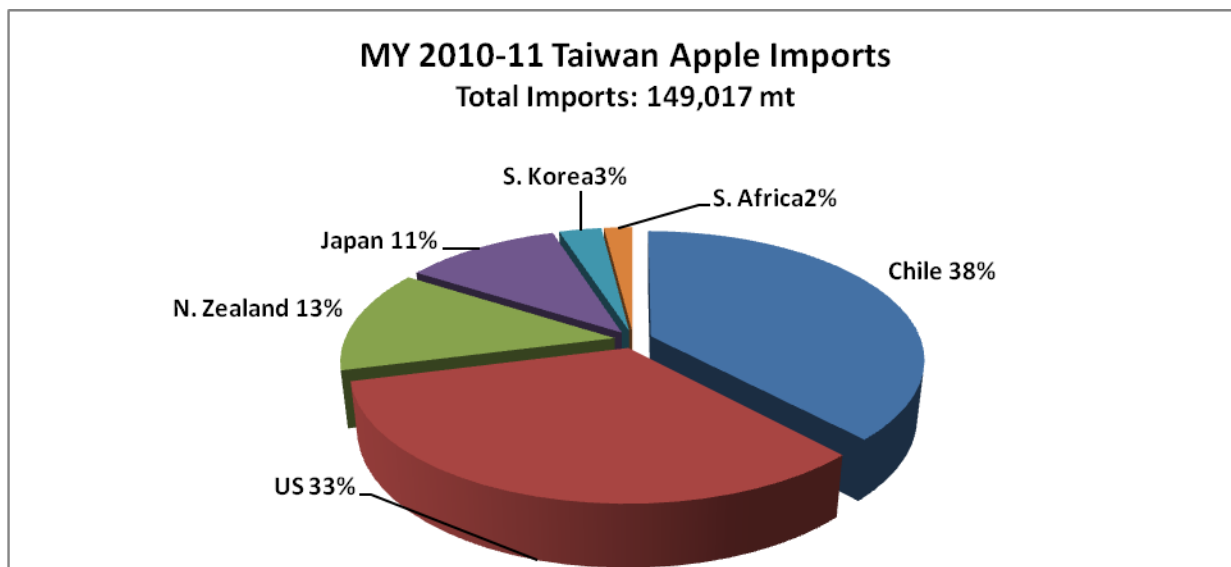
Source: Taiwan Council of Agriculture

## Trade

Taiwan is a relatively mature market for fresh apples. In MY 2010-11, Taiwan imported a total of 149,017 metric tons or nearly US\$163 million of apples -- an increase of 17 percent by volume and 16 percent by value. In MY 2010/11, Chile, for the first time ever, became the largest supplier with 38 percent of the Taiwan import market, overtaking the United States with 33 percent share and followed by New Zealand (13%), Japan (11%), and South Korea (3%).

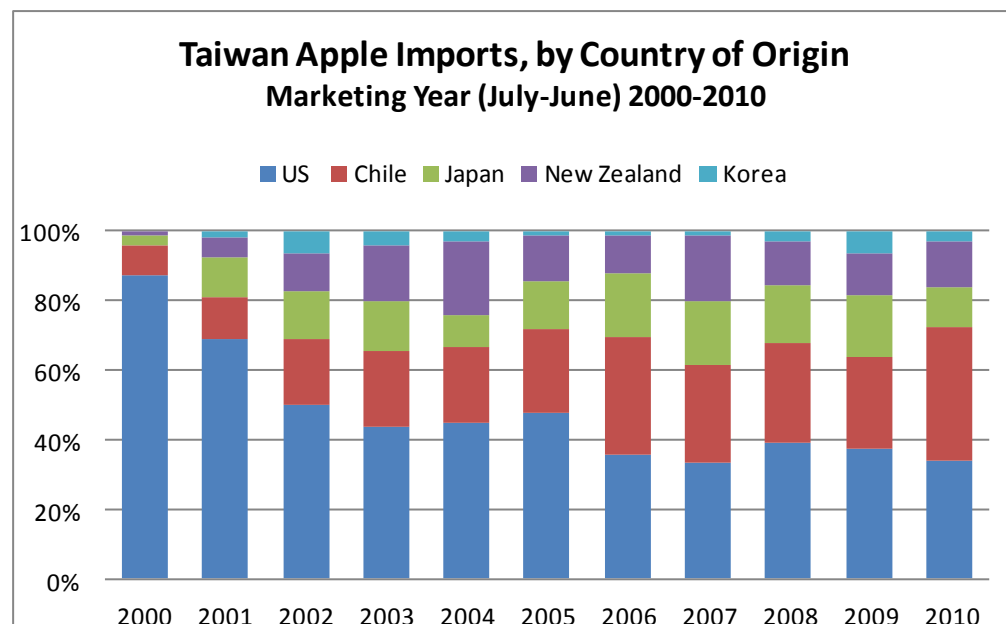
Chile posted a 72 percent increase in volume, with shipments growing from 33,041 MT in MY 2009/10 to 56,979 MT in MY 2010/11. According to importers, during the past season, Chile opened its door to all importers -- not just those who previously held exclusive trading rights. The resulting excessive volume of shipments caused importers to suffer financial losses and generated trade disputes between Taiwan importers and Chilean exporters. Taiwan importers are now being more cautious about placing new orders. As a result, total apple imports are forecast to decline by about six percent to 140,000 MT in MY 2011/12.

Although U.S. market share declined in MY 2010/11, imports from the United States actually increased by seven percent to 49,273 MT. Exports from the state of Washington typically account for 90-95 percent of total U.S. apple exports to Taiwan. Exports from South Korea and Japan decreased by 35 and 27 percent, respectively, in MY 2010/11. During the course of the season, six shipments of South Korean apples were rejected due to unacceptable pesticide residue levels, disrupting Korea trade with Taiwan. The disastrous earthquake and tsunami that led to radiation leaks from nuclear power plants in March 2011 reduced Taiwan consumers' confidence in the safety of food products from Japan, leading to smaller imports of Japanese apples.



Source: Global Trade Atlas

As shown in the table below, the U.S. share of the Taiwan import market for apples began a long-term downward trend in 2000. Taiwan's 2002 WTO accession accelerated this trend by eliminating quota restrictions on imports from Chile, New Zealand, Australia, Japan, South Africa, Argentina, and European Union and removed a previous ban on apple imports from South Korea. China remains prohibited from exporting fresh apples to Taiwan for phytosanitary reasons. Despite last year's reversal, the United States is expected to remain the dominant supplier in the coming years with an expected total market share in the range of 35-40 percent.



Source: Global Trade Atlas

With the Taiwan fresh apple consumption 'pie' likely to remain at about the same size for the near several years and the market now open to all major producers (with the important exception of China due to phytosanitary concerns), importers now have a broad choice of suppliers from which to choose. Changes in market share will, of course, continue to shift from year to year based on supplier prices, product quality and availability.

In general, while Taiwan buyers do express a continued preference for U.S.-origin Fuji apples, Taiwan importers have shown themselves more than willing to shift purchase orders to other competing supplier countries when cost factors run against U.S. exporters. A recent significant change in thinking among Taiwan importers is that they do not want to risk placing a large volume of forward orders for apples from one single supplier or country, especially when exports could be suspended due to detection of codling moth/peach moth or violations of Taiwan's MRLs (maximum residue limits) for agrochemicals (see Import Regulations and Requirements section.) Taiwan importers need the flexibility to switch their orders to other countries if the primary supplying country is suddenly suspended. As a result, prices will increase as many larger U.S. companies will be less eager to offer aggressive pricing on smaller, multiple orders.

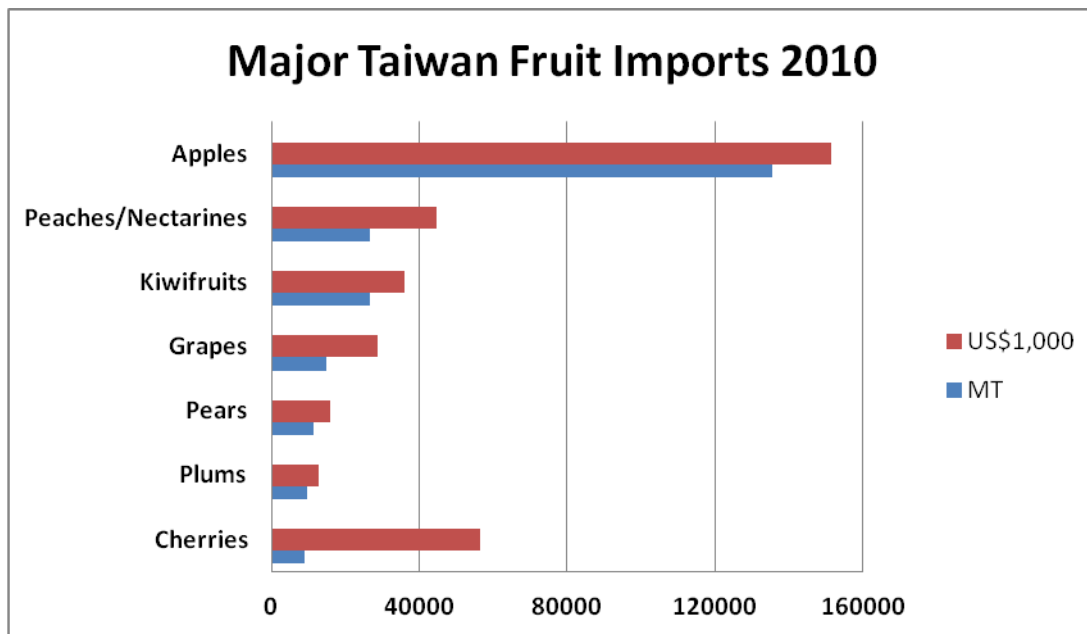
At the consumer level, Japanese apples are currently receiving positive reviews (generally good taste, relatively small size, excellent appearance, and competitive price) despite the recent food safety concerns. Importers also indicate that Korean Fuji apples, with already improved color/brix level and competitive prices, will become a strong competitor for U.S. apples in the near future.

## **Tariffs**

Taiwan currently applies a 20 percent tariff on all apple imports compared to the 50 percent tariff applied prior to Taiwan's WTO accession in January 2002. Taiwan Customs assesses tariffs based on a region-specific reference price rather than the actual invoiced value.

## **Consumption**

The apple is currently the most heavily consumed imported fruit in Taiwan. Only oranges, 95 percent of which are grown domestically, are consumed in greater volume. However, in terms of real growth, the apple is losing ground to a host of other imported fruits, including grapes, cherries, peaches, and berries. Due to the variety of imported and domestic fruits now available, apple consumption is not expected to reach the highs seen in the late 1990s without some change in the competitive picture, such as new positive findings regarding the health benefits of apples or an expansion of fruit consumption in general.



The vast majority of people in Taiwan view fruit as an important part of their daily diet. Fruit is frequently eaten as a snack or as a dessert and is the most common food prepared to serve to visitors in the home or office.

The apple symbolizes many positive things to the Taiwan consumer. Unless bought solely for personal consumption, the color, size, and general appearance of fruit is typically quite important to Taiwan retail customers. The “best-looking” fruit, typically sold in gift packaging, fetches the highest prices. The most expensive apple on the market, the Japan-grown Fuji, sells well at premiums of 100 percent because of its size and consumers’ quality perceptions.

Fuji, with its sweet taste and firm texture, remains the overwhelmingly favorite variety, accounting for 90 percent of total retail apple sales. The remainder of the market is comprised of Gala, Red Delicious, and Granny Smith. While countries like the United States, Chile and New Zealand continue to focus on supplying the Taiwan market with traditional varieties, Japan is having some success in introducing less common varieties into the market to maintain its “premium” image and to justify higher prices. In fact, it is not uncommon to find Japanese and Korean fruit in the market priced at US\$6-8 per piece.

While eaten year round, Taiwan consumers generally purchase significantly more apples during the autumn and winter months - the prime production months for northern hemisphere growers. Reasons for this include the general perception of the apple as a “cool weather” fruit and the incorporation of apples into the many festivals held during this time of the year. Local, tropical fruit such as mangos, papaya, and lychees dominate during the summer months. Taiwan people send food products in gift packages to their friends and relatives during three major lunar-year festivals: Chinese New Year (usually in February); the Dragon Boat Festival (usually in June); and the Moon Festival (usually in September). Fuji apples replaced Red Delicious many years ago as one of the most popular gift items during the lunar New Year holiday in Taiwan.



To maintain their dominant position, particularly against "new" competitors such as Japan, Korea, and New Zealand, U.S. suppliers should continue to work closely with Taiwan importers, distributors, and retailers to reinforce the strong positive image that U.S. apples still enjoy in Taiwan to ensure continued consumer loyalty for U.S.-origin apples.

## Distribution Channel

Nearly all fresh fruit imports, including apples, are consumed as fresh produce. The Taiwan consumer's emphasis on both convenience and freshness is the key to shopping preferences. Currently, traditional/neighborhood wet markets account for about half of all fresh apple sales, followed by small fruit shops/street hawkers and supermarkets/hypermarkets. Due to the current slowdown in the local economy and ongoing acquisition/mergers within the supermarket/ hypermarket sector, further expansion of such modern retail outlets is anticipated to slow. As a result, no significant change in the distribution channel structure is expected in the near future.

Traditional/neighborhood wet markets	50%
Supermarkets/hypermarkets	16%
Small fruit shops/street hawkers	34%



Washington apples in Taiwan's supermarket



Imported Fuji apples are popular gift pack  
Item in the retail market



# **Import Regulations and Requirements**

## **General Phytosanitary Requirements**

A phytosanitary certificate of origin issued by Plant Protection & Quarantine (PPQ), Animal & Plant Health inspection Service (APHIS) of the U.S. Department of Agriculture, stating that the fruit has been thoroughly inspected and found free from relevant pests is required for all apple exports to Taiwan.

The Codling Moth is a pest of apples in the United States and a pest of quarantine concern to Taiwan, where it is not known to exist. Following a Codling Moth detection in Taiwan in November 2002, Taiwan suspended the importation of all U.S. apples. In June 2003, the United States and Taiwan signed a protocol with a penalty structure that allowed Taiwan to suspend imports of U.S.-origin apples if three Codling Moth detections occurred in a single shipping season (often referred to as “three strikes”). While this penalty structure has facilitated continued trade, there is the possibility of another market closure if there are “three strikes” in a single shipping season. U.S. regulatory authorities have provided Taiwan with U.S. research demonstrating that the risk associated with Codling Moth transmission and establishment in Taiwan via U.S.-origin apples is extremely low. Taiwan authorities continue to review this research, but have not yet met with U.S. officials to discuss the U.S. findings in detail. Negotiations and revisions to the “Systems approach work plan for the exportation of apples from the United States into Taiwan” continue in the interim.

## **Maximum Residue Limit (MRL)**

Imports of fresh fruit and vegetables, including apples, are subject to random inspection for chemical residues at the port of entry by Taiwan’s Food and Drug Administration (TFDA)/Department of Health. A Taiwan importer of highly perishable produce, like apples, may submit an affidavit to the TFDA to move the consignment to its own warehouse before the testing is complete. However, the shipment cannot be released into commercial channels until/unless the test results are negative.

Shipments are tested at the normal sampling rate of 2.5 percent. If the sample tests positive for any prohibited chemical or at a level that exceeds Taiwan's established maximum residue level (MRL) for approved chemicals, the shipment will be rejected and future shipments will also be subject to sanctions in the form of enhanced inspection. If there is an initial noncompliance finding on record, future shipments of the same product, e.g. apples, imported by the same Taiwan importer from the same origin, e.g. the United States, the random inspection rate will increase to 20 percent. A second non-compliance finding for the same combination of Taiwan importer, product and origin will result in batch-by-batch inspection for all future shipments under that same three-way combination.

In an effort to more accurately identify the source of a violation and to target more carefully any subsequent sanctions, TFDA is now encouraging Taiwan importers of fresh produce to identify the source state. This practice is consistent with TFDA's stated goal of managing MRL risk at the source, but it also benefits U.S. exporters by helping to narrow the scope of the sanctions. As an example, growers/exporters of apples from Washington would not be penalized on the basis of MRL violations on apples shipped from other states. Therefore, exporters of U.S. apples should advise their Taiwan buyers to identify the source state, e.g. California or Washington, when filling in the application form for import inspection.

### Production, Supply and Demand Data

Apples, Fresh Taiwan	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	436	436	410	231		175	(HA)
Area Harvested	430	436	410	231		175	(HA)
Bearing Trees	154	154	145	84		63	(1000 TREES)
Non-Bearing Trees	0	0	0	0		0	(1000 TREES)
Total Trees	154	154	145	84		63	(1000 TREES)
Commercial Production	3,760	3,645	4,300	2,186		1,570	(MT)
Non-Comm. Production	0	0	0	0		0	(MT)
Production	3,760	3,645	4,300	2,186		1,570	(MT)
Imports	127,151	127,151	135,000	149,017		140,000	(MT)
Total Supply	130,911	130,796	139,300	151,203		141,570	(MT)
Fresh Dom. Consumption	130,911	130,796	139,300	151,203		141,570	(MT)
Exports	0	0	0	0		0	(MT)
For Processing	0	0	0	0		0	(MT)
Withdrawal From Market	0	0	0	0		0	(MT)
Total Distribution	130,911	130,796	139,300	151,203		141,570	(MT)
TS=TD		0		0		0	
Comments							
AGR Number							

